Jim Elwood, A.A.E.
Airport Director, Aspen-Pitkin County Airport
Chair, American Association of Airport Executives

The American Association of Airport Executives
601 Madison St., Suite 400
Alexandria, VA 22314
www.aaae.org
703-824-0500

Statement of

Jim Elwood, A.A.E.

Airport Director,

Aspen-Pitkin County Airport

and Chair,

American Association of Airport Executives

Before the

Subcommittee on Aviation

Committee on Transportation and Infrastructure

U.S. House of Representatives

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Chairman Costello, Ranking Member Petri and members of the House Transportation and Infrastructure Subcommittee on Aviation, thank you for inviting me to participate in this hearing on the Federal Aviation Administration (FAA) reauthorization bill. I am Jim Elwood, A.A.E., the Airport Director of the Aspen-Pitkin County Airport. I am also the Chair of the American Association of Airport Executives (AAAE).

The Aspen-Pitkin County Airport is a commercial service airport in the heart of the Colorado Rockies. The airport is important to the state of Colorado and the local community with an economic impact of over $1 billion annually. AAAE is the world's largest professional organization representing the men and women who manage primary, commercial service, reliever and general aviation airports.

Mr. Chairman, I would like to begin by commending you, Ranking Member Petri, Chairman Oberstar and Ranking Member Mica for all of the good work that you did on H.R. 2881, the FAA Reauthorization Act of 2007. The four-year bill, which the House passed in the last Congress, includes a number of key provisions that airport executives strongly support: It would raise the cap on Passenger Facility Charges (PFCs) from $4.50 to $7.00, increase Airport Improvement Program (AIP) funding by $100 million per year and increase funding for programs that help small communities.

Airports and the US aviation industry are at a critical point as we look to the future. Collectively, Congress, the FAA, airlines, general aviation and every aviation stakeholder must be willing to come together to ensure that our aviation system remains the world's best. Every day that we fail to focus on the future needs of this industry is a day that we cannot get back. Meanwhile, others around the world continue to make progress and forge ahead. We must be diligent and tireless to improve capacity and create efficiencies to ensure that we retain our position as the world's leader in aviation – a position that we have held for over a century. Quickly passing a multi-year FAA reauthorization bill provides us with key opportunity to help protect that position.

It has been well over a year since Vision 100 – Century of Aviation Reauthorization Act expired. Since Congress has been unable to send a multi-year FAA reauthorization bill to the President's desk, lawmakers have approved a series of short-term extensions instead. Airports appreciate the successful efforts to extend FAA programs and prevent lapses in aviation excise taxes. However, extensions and uncertain funding levels can be very disruptive to airports as they try to plan their construction projects. Moreover, every month that goes by without the PFC increase proposed in H.R. 2881 costs airports approximately $100 million – funds that could be used to improve airports and create jobs around the country.

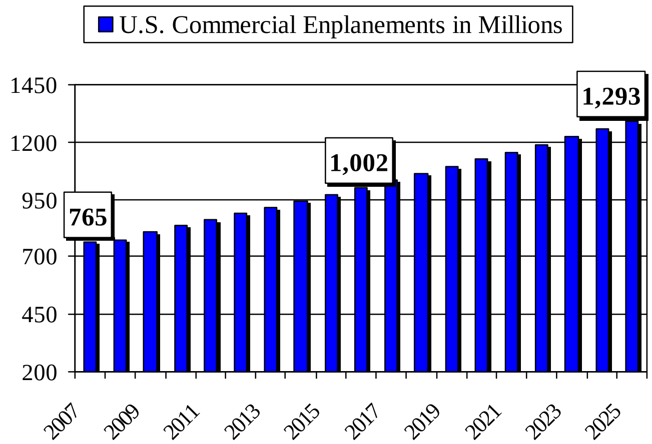
With help from this committee, the House of Representatives did its part by approving the FAA Reauthorization Act of 2007. We deeply appreciate the hard work that went into passing that multi-year bill. Unfortunately, the FAA reauthorization bill stalled on the other side of the Capitol. Airports around the country hope that this committee will help guide a multi-year FAA reauthorization bill through Congress early this year that raises the PFC cap to $7.50 and increases AIP funding and improves programs that help small communities.

Demand, Delays and Airport Capital Needs

Passenger Demand: Last March, the FAA released its Aerospace Forecast for 2008 to 2025. The report indicated that the number of passengers flying in the United States increased 22.1% between 2002 and 2007. The agency also predicted that enplanements will increase from approximately 765 million in 2007 to more than one billion passengers in 2016 and to almost 1.3 billion by 2025 at an average annual increase of 3.0%.

Projected Passenger Levels

(Source: FAA Aerospace Forecast 2008-2025)



Much has changed since the FAA issued its Aerospace Forecast. Oil prices skyrocketed to nearly $150 per barrel last year, and the airlines responded by reducing capacity throughout the aviation system. The economic downturn is also having a negative impact on the aviation industry. The Bureau of Transportation Statistics (BTS) reported earlier this month that the number of scheduled domestic and international passengers on U.S. carriers dropped more than 7% in October 2008 from the same month in 2007. For the first ten months of 2008, passenger levels declined 2.6% from the same timeframe the previous year.

Although monthly passenger levels declined in 2008 from 2007, we can expect that enplanements will rebound again like they did after the terrorist attacks in 2001. Airports need to prepare for the long term when more than 1 billion passengers are expected to be flying by 2016. Even if that threshold is delayed by a year, we must continue to plan ahead. Airports around the country must take advantage of this temporary downturn and prepare for the inevitable higher passenger levels to come.

Passenger levels are expected to climb at large and small airports in the future. According to the FAA's Terminal Area Forecast issued in December, enplanements are expected to increase from 42.8 million in 2008 to 69.4 million at the Hartsfield-Jackson Atlanta International Airport – a 62.1% increase. At Chicago's O'Hare International Airport, enplanements are expected to increase from 34.8 million to 49.5 million in the same timeframe – a 42.2% increase. Enplanements at the Aspen-Pitkin County Airport are expected to increase approximately 13.5 % percent.

The demand for air cargo is also expected to grow. The FAA predicted that total Revenue Ton Miles – or the measurement of moving one ton of cargo one mile – will more than double from 40.1 billion in 2007 to 83.3 billion in 2022. To handle that increased workload, the number of cargo aircraft is expected to increase from approximately 1,000 in 2006 to 1,468 in 2020, which is an increase of 47.2%.

Operations: As passenger and cargo levels increase so do operations at airports around the country. During the FAA Forecast Conference last year former FAA Acting Administrator Robert Sturgell said, "From an operations standpoint, we predict that, on average, every year, from now until 2025, we're going to add the equivalent of JFK, LaGaurdia and Newark combined into system."

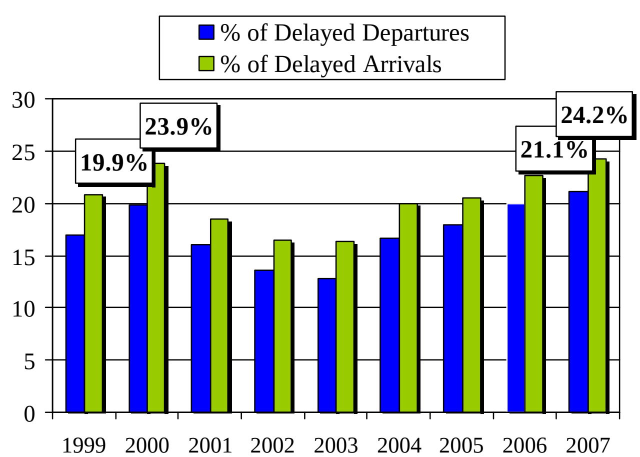
Overall, the FAA predicted that the number of take-offs and landings at the nation's towered airports will increase from 61.4 million in 2008 to more than 84 million in 2025 – an increase of 37.4%. According to the Terminal Area Forecast, operations are expected to increase by 54.8% in Atlanta between now and 2025 and by 47% at Washington Dulles International Airport. Operations at Los Angeles International Airport are expected to increase by 35.1%.

Flight Delays: Flight delays were also on the rise between 2003 and 2007. According to the BTS, 24.2% of all flights in 2007 arrived at their gates 15 minutes or more after their scheduled arrival time. That's a 1.6% increase from 2006, and it's higher than the previous record delays that occurred in 2000 when approximately 23.9% of all flights arrived at their gates behind schedule.

BTS also tracks the number of flights that leave their gates on-time. In 2007 21.1% of all flights left their gates 15 minutes or more after their scheduled departure time. That's up almost 1.2% from the previous year and it's even higher than the delays that occurred in 2000 when 19.9% of all flights left their gates late. In other words, delays measured in both arrivals and departures exceeded the 2000 levels when one in four flights was delayed, cancelled or diverted.

Flight Delays

(January to December/Source: BTS)



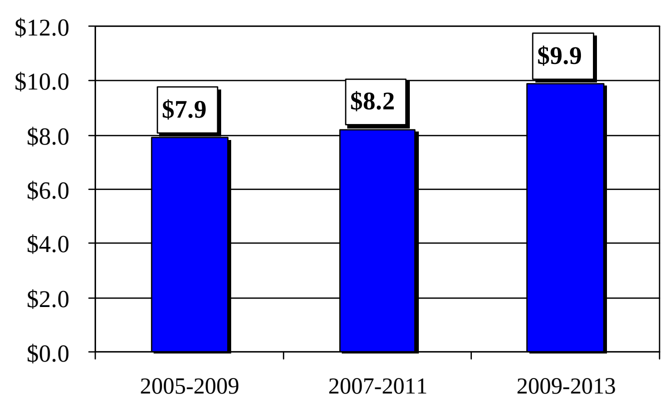
Not surprisingly airline on-time arrivals began to improve in 2008 as the airlines began cutting back air service and reducing their aircraft. Between January and November of 2008, 76.9% of the flights arrived at their destinations on time. This is up from the previous two years during the same timeframe. Again, however, we should expect that flight delays and cancellations will creep back up when the economy improves and more passengers and aircraft return to the system.

Airport Capital Needs: Despite recent cuts in air service, airports must continue to invest in safety and security projects and they must be prepared to meet passenger demands in the long term. Late last year, the FAA also released its National Plan of Integrated Airport Systems (NPIAS) for 2009 to 2013. The report indicates that there will be $49.7 billion of AIP-eligible projects during the next five years – or an average of $9.9 billion per year. This is approximately 21% higher than the $41.2 billion that FAA estimated for AIP-eligible construction projects for 2007 to 2011.

The NPIAS identifies 3,356 existing and 55 newly proposed public-use airports that are eligible to receive AIP grants. According to the report, 27% of the planned development is to bring airports up to current design standards and 17% is for capacity-related projects. Another 17% of the planned development is for replacing or rehabilitating airport facilities such as pavement and lighting systems.

Average Annual AIP-Eligible Projects

(Source: FAA NPIAS 2009-2013)
(Dollars in Billions)



Airports rely on a number of sources for airport capital development projects. The overwhelming majority of funds come from airport bonds, AIP and PFCs. However, the FAA acknowledges in the report that “the NPIAS only includes planned development that is eligible to receive Federal grants under the AIP. It does not include ineligible airport development, such as automobile parking structures, hangars, air cargo building, or the revenue-producing portion of large passenger terminal buildings.”

The FAA’s latest NPIAS states that its estimates for the 2009 to 2013 period may be “overstated” because of the impact of high fuel prices last year and the declining economy. **However, the FAA correctly points out that "the large scale, long-term programs (i.e. a new runway or a significant runway extension) involving a sequence of planning, environmental analysis, approval, financing, and construction, typically over a 10- to 15-year period, are not particularly sensitive to short-term fluctuations in traffic."**

In November, new runways opened at Washington Dulles, Chicago O'Hare and Seattle-Tacoma International Airports. According to the Department of Transportation (DOT), the three new runways will accommodate an additional 330,000 take-offs and landings per year. However, each of those critical projects took years to complete. For example, the Port of Seattle began planning to increase capacity at its airport in 1989 -- approximately 20 years ago. In 2007, the FAA also issued a report entitled, "Capacity Needs in the National Airspace System." The report examined which of the busiest 35 airports in the FAA's Operational Evolution Plan will be able to meet future demand. It indicates that "18 airports around the country are identified as needing additional capacity by 2015, and 27 by 2025, if the airport system remains the same as it is today without the planned improvements."

Even if planned improvements occur, the report identifies 6 airports that will need additional capacity by 2015 and 14 airports that will need additional capacity by 2025. Given the time it takes to bring airport infrastructure projects to completion, it is critical that we act now to address this situation. Again, airport executives need to continue planning and improving their facilities now so they are prepared for the long-term increases in passenger levels and operations.

Airports Need Additional Resources to Accommodate Future Demand and High Construction Costs

The FAA and DOT should be commended for highlighting the need for a Next Generation Air Transportation System (NextGen). Modernizing the air traffic control system will improve efficiencies and help reduce delays throughout the system. According to the FAA, however, "new runways and runway extensions provide the most significant capacity increases."

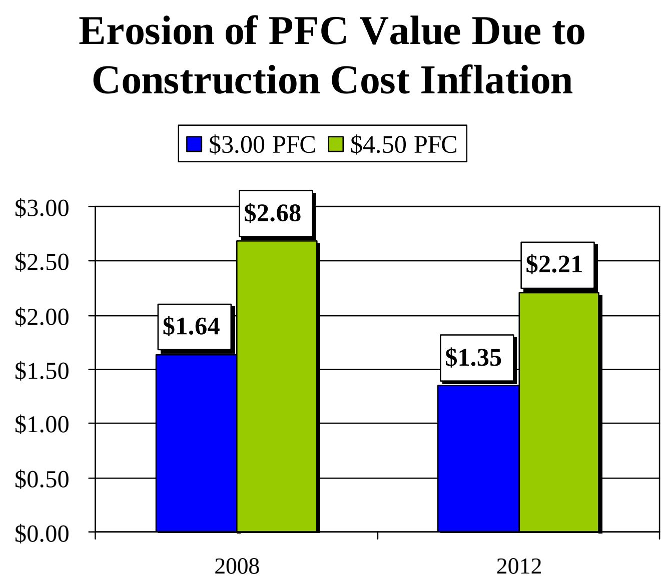
As I mentioned previously, the passenger level is expected to increase from 765 million in 2007 to more than 1 billion in the next ten years. That is the equivalent of adding the entire population of the U.S. to our aviation system. While many are understandably focusing on the need to implement a satellite-based navigation system to reduce congestion in the skies, we should not lose sight of the need to increase capacity and reduce congestion on the ground.

In an effort to be build the infrastructure necessary to accommodate increasing demand and to offset the impacts of construction costs, which have skyrocketed in recent years, airport executives are continuing to urge Congress to raise the PFC cap, increase AIP funding and reduce the costs of airport bonds. We are grateful that Congress and particularly this subcommittee have taken steps to help airports prepare for the future.

Raise PFC Cap: As members of this panel know, the Aviation Safety and Capacity and Expansion Act of 1990 included a provision that has allowed airports to impose a local fee of up to $3 on passengers boarding aircraft at their facilities. AIR-21, which Congress passed in 2000, included a provision that allowed airports to increase that amount to $4.50. Money generated from PFCs augments AIP funding and other sources or revenue that airports use for a variety of purposes including building new runways, taxiways and terminals as well as paying for debt service.

Airports collected about $2.8 billion from PFCs in 2007. Unfortunately, however, the value of PFCs has eroded over time due to inflation and increased construction costs, which have increased by almost 27% since 2005 at an average annual rate of more than six percent. When you factor in the Consumer Price Index, a $3.00 PFC in 1990 was worth only about $1.85 in 2008, and a $4.50 PFC was worth only about $3.07.

The picture gets even worse when you examine construction cost inflation, which provides you with a more accurate picture of the costs associated with airport construction projects. In that case a $3.00 PFC in 1990 was worth only about $1.64 in 2008, and a $4.50 PFC was worth only about $2.68. Unless corrective action is taken, the value of PFCs will erode even more by 2012 when a $3.00 PFC is expected to be worth only $1.35, and a $4.50 PFC is expected to be worth only $2.21.

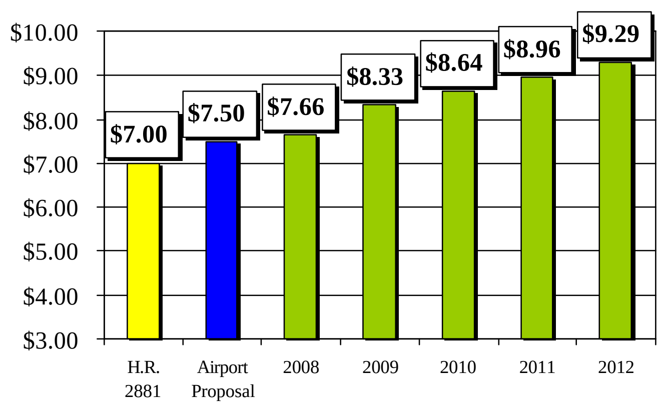


To offset the impacts of inflation it is necessary to raise the cap on PFCs. For instance, a $3.00 PFC needed to be adjusted to $4.88 in 2008 to offset the impact of inflation, and a $4.50 PFC needed to be set at approximately $6.73. If adjusted for increasing construction costs, a $3 PFC needed to be set at $5.50 in 2008, and a $4.50 PFC needed to be set at $7.66.

Airport executives commend this subcommittee for including a provision in H.R. 2881 that would raise the PFC cap from $4.50 to $7.00. According to the FAA, if all those airports collecting $4.00 and $4.50 PFCs today began collecting $7.00 PFCs, raising the cap would generate approximately $1.3 billion per year. The additional revenue would help close some of the gap between airport capital needs and the amount of revenue that is currently available for airport capital development projects. It would also create tens of thousands of much-needed jobs.

Again, we deeply appreciate the efforts by the subcommittee to raise the PFC cap to $7.00. Of course, we would prefer that Congress raise the PFC cap to $7.50. As you can see from the following chart a $3.00 increase would almost be enough to offset the impact of construction cost inflation in 2008. To prevent further erosion of the value of PFCs, we also ask you to include a provision in the next FAA reauthorization bill that would index PFCs to account for increasing construction costs.

Adjusting PFC Cap for Construction Cost Inflation



Some may suggest that raising the PFC cap by $3.00 is too much of an increase at one time. However, this committee and the House of Representatives approved a proposal to raise the PFC cap from $3.00 to $6.00 in 1999 – a $3.00 increase – almost 10 years ago during consideration of AIR-21. Unfortunately, the Senate version of the bill did not include a similar increase, and the final version of FAA reauthorization bill increased the cap to $4.50 instead.

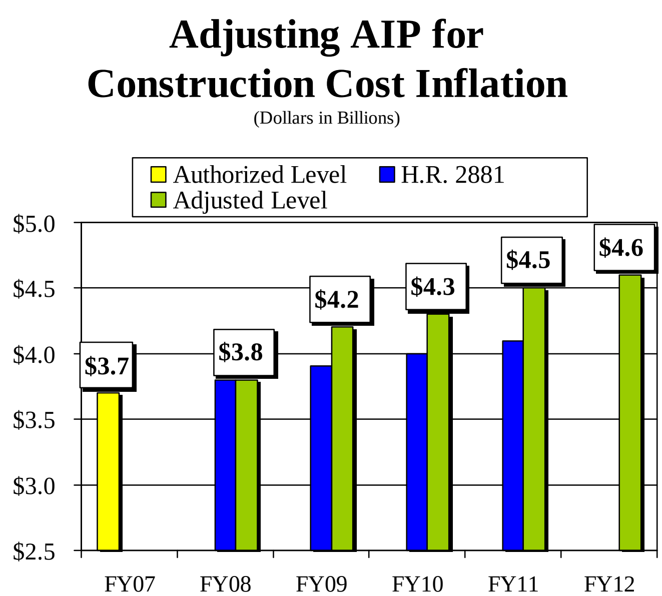
Mr. Chairman, in the past some have expressed concerns about how much PFC revenue airports are using for airside capacity-related projects. In 2007 we reported to this committee that approximately 32% of PFCs approved in FY06 were for airside projects. This is about $1.4 billion for capacity projects such as building new runways, taxiways and aprons. That percentage is going up. According to the FAA, approximately 37% of PFCs approved in FY08 are for airside projects.

Airports – including the 35 busiest airports in the FAA's Operational Evolution Plan (OEP) – rely on PFCs for airside projects to enhance capacity at their facilities. According to the FAA, the Seattle-Tacoma International Airport used $370 million in

PFC revenue to construct its third runway. Overall, 15 OEP airports are using almost $4 billion in PFCs to help build new runways and increase capacity at their facilities.

Increase AIP Funding: In addition to raising the PFC cap, airport executives are continuing to urge Congress to increase AIP funding. AIP is an important source of funding for all sizes of airports and especially smaller airports around the country. Large and medium hub airports also depend on AIP funding – particularly money distributed through the Letter of Intent Program (both entitlement and discretionary funds) to help pay for large capacity projects.

Airport executives are grateful that this subcommittee and the House of Representatives authorized a record-level $15.8 billion for AIP and recommended increasing AIP funding by $100 million per year. We hope that you will increase AIP funding by at least that amount in the next FAA reauthorization bill. We also encourage you to consider increasing AIP funding so that the program keeps up with increased construction costs. Doing so would translate into $4.3 billion for AIP in FY10, $4.5 billion in FY11 and $4.6 billion in FY12.



AIP and PFC Modifications

Streamline PFC Process: Airports supported the previous Administration's proposal of streamline the PFC application and approval process. The FAA pointed out that "current law requires an application and approval of each PFC project (or amendment to a project) that sometimes involves prolonged reviews and delays." We agree with the FAA's assessment and strongly support streamlining the PFC process, which currently takes several months to complete.

Airports work closely with our airline partners to reach consensus on PFC-funded projects and will continue to do so if Congress endorses PFC streamlining. For instance, airports would continue to provide a reasonable notice and comment period for carriers operating at their facilities. However, airports should be allowed to impose a new PFC earlier in the process, avoid months in unnecessary delays, and create jobs more quickly. Should a carrier file an objection, DOT would have the authority to terminate the airport's authority to collect PFCs for the new project if the agency concurred with the objection.

Maintain Higher Federal Match for Small Airports: Vision 100 included a helpful provision that increased the federal share for small hub and smaller airports from 90% to 95% through FY07. H.R. 2881 would allow that provision to expire and return the federal share to a maximum of 90% for many small airports. In these challenging economic times, small communities around the country are finding it very difficult to come up with a 5% percent local matching share. Increasing their required contribution to 10% could prevent certain small airports from moving forward with planned construction projects. We hope you will include a provision in the next reauthorization bill that would extend the higher federal match for small airports.

Minimum Entitlements and Annual Apportionments: We also recommend that you include a provision in the bill that would allow airports to continue to receive the minimum entitlements even if their enplanements dipped below 10,000 in 2008 as a result of service cuts related to high fuel costs and/or the downturn in the economy. We are similarly proposing that entitlements for airports with more than 10,000 enplanements not be reduced if the their passenger levels declined in 2008.

Commercial service airports rely on revenue generated from airlines, other airport tenants and passengers to meet their operational and infrastructure requirements. Decreasing numbers of flights and passengers translate into fewer dollars for airports to use for operational purposes or to invest in infrastructure projects that help stimulate the economy by creating jobs. Allowing airports to continue to maintain their minimum entitlements and annual apportionments would ensure that airports are not unnecessarily penalized even more.

Land Acquired for Noise Compatibility Purposes: H.R. 2881 would make a grant assurance change regarding the sale of land that an airport initially acquired for a noise compatibility purpose but not longer needs. Current law requires that the proceeds proportional to the federal government's share of the land acquisition be returned to the aviation trust fund. The reauthorization bill would allow DOT to reinvest the government's share of the proceeds in another project at that airport or another airport. However, airport executives are concerned that the proposal does not resolve the question about what happens if an airport leases land initially acquired for a noise compatibility purpose. We would like to work with this subcommittee to address that issue.

Funding of FAA Programs

Maintain Budget Protections: AIR-21 included an airport executive-supported provision that requires all receipts and interest credited to the aviation trust fund to be spent on aviation. It also makes it difficult for Congress to appropriate less than the full amount authorized for AIP. Those budget points of order have worked extremely well in the House over the past several years, and we encourage you to maintain them in the next FAA reauthorization bill as you did in H.R. 2881.

Small Community Issues

Increase Funding for Small Community Air Service Development Program: AAAE has been a long-time proponent of the Small Community Air Service Development Program. Since Congress created the Small Community Program in 2000, it has helped numerous small communities around the country suffering from insufficient air service or unreasonably high fares. Airports are grateful that H.R. 2881 would have authorized $35 million per year for this critical program.

Considering the number of communities that apply for funds from this program and the increasing pressures on small communities, we urge this subcommittee to consider making a greater investment in this critical program. Specifically, we urge you to authorize $50 million for the program per year and allow communities to receive follow-on grants for the same project. We also recommend that small airports be allowed to reduce their operating costs by using small community grants for ground handling services.

Mr. Chairman, we would also like to bring to your attention an issue related to the Small Community Program. Last year, DOT received 66 proposals from communities in 32 states requesting more than $36 million "to support new and ongoing air service development projects." However, the demand for federal assistance far exceeded the approximately $10 million that Congress approved for the program in the FY08.

In September, DOT announced that it had awarded grants that will benefit 16 communities in 12 states. Those communities will receive between $100,000 and $750,000 in grants and are contributing their own resources to their respective projects. However, airport executives were shocked to learn that of the $10 million that Congress appropriated for this program, only $6.85 million is actually slated to go to small communities that need assistance. According to DOT's order, the other $3.15 million will be used to cover "current and future administrative support costs."

Designating 32% of funds appropriated for the Small Community Program for administrative purposes seems unreasonably high to us. By contrast, the FAA received $75 million in Fiscal Year 2007 to distribute more than 2,000 AIP grants – or approximately 2 percent of the $3.5 billion that Congress appropriated for the AIP program that year.

Many airport executives question why DOT needs $3.2 million to administer only 16 Small Community Program grants. Some or all of those funds could be distributed to other small communities struggling to retain or attract new commercial air service instead. Based on the average grant award, $3.2 million could be used to fund another seven projects.

We encourage you and your colleagues on the Transportation and Infrastructure Committee to examine DOT's decision to allocate such a large portion of small community funds for administrative purposes. Airports would strongly prefer that DOT designate some or all of the $3.2 million to other small communities that have applied for grants instead.

Maintain Essential Air Service Program: Last year was a challenging year for many EAS communities. Due, in part, to rapidly increasing fuel prices and air service cuts, 37 eligible EAS communities temporarily lost service last year. When all the service disruptions were added up, EAS communities were without air service for more than 200 months. Seven EAS communities still do not have air service.

Airport executives are pleased that this subcommittee rejected the previous Administration's proposal to drastically cut funding for the program to $50 million per year. Small airports around the country were encouraged that H.R. 2881 included $50 million from overflight fees for the program and authorized an additional $83 million for a total of $133 million per year. We encourage Congress to maintain adequate funding for EAS and continue to take steps to improve this important program.

Invest in FAA's Contract Tower Program: Another program that has improved service and safety at airports in small communities is the FAA's Contract Tower Program. This program has been in place since 1982 and currently provides for the efficient and cost-effective operation of air traffic control towers at 242 smaller airports in 46 states. Without the Contract Tower Program many simply would not have any air traffic control services at their facilities.

AIR-21 included a provision that created the Contract Tower Cost Share Program, which currently allows 16 airports in 12 states that fall slightly below the eligibility criteria to participate in the program if they provide local funds. We recommend that this subcommittee authorize $9 million for the Contract Tower Cost Share Program in FY09 and increase the amount by $500,000 per year – the same funding levels included in H.R. 2881. Doing so would keep the existing towers operating and allow additional non-towered airports to participate in the program.

Other Recommendations

Fairly Conclude ARFF Rulemaking Process: Mr. Chairman, safety is by far the most important priority for airports around the country, and airport operators devote a great deal of time, effort and resources to continue to improve safety at their facilities. As part of that commitment to safety, airports work closely with the FAA and follow strict aircraft rescue and fire fighting requirements. Fire fighters are an integral component of a team of professionals dedicated to ensuring aviation safety, and all of us owe them a debt of gratitude for their service.

Despite our strong relationship with fire fighters and our tremendous respect for their mission, we have deep concerns about a plan proposed by the International Association of Fire Fighters (IAFF) that would force airports to comply with National Fire Protection Association (NFPA) standards. At first glance, this may seem like a reasonable approach to improve aviation safety. Upon closer review, however, it is clear that the plan would have a huge financial impact on airports of all sizes without demonstrating a clear safety benefit. It could also lead to unintended consequences as severe as the loss of commercial air service at some smaller airports around the country.

Under the IAFF plan, airports would be required to dramatically increase the number of fire fighters at their facilities without any evidence that additional personnel are actually necessary. Airports would have no choice but to pass those additional operating costs on to the airlines at a time when large and small airports are trying to keep their costs low. Increased operating costs would be particularly devastating to small airports struggling to maintain and attract new commercial air service.

The Fort Wayne-Allen County Airport Authority, which operates a non-hub airport in Indiana, estimates that the IAFF plan would increase its personnel costs by $1.2 million per year. According to airport officials, the IAFF proposal "would require the Fort Wayne International Airport to more than double the ARFF staff, from four personnel per shift to nine personnel per shift."

The Durango-La Plata Country Airport in my home state of Colorado estimates that the IAFF plan would require the airport to hire a large number of additional firefighters, a new Aircraft Rescue and Fire Fighting (ARFF) truck and modify its ARFF facilities. The airport warns that the proposal would ultimately "result in the cessation of all air service to Durango" because the airport would be required to "raise airline landing fees and rents to meet the additional costs of this unnecessary proposal."

The proposed ARFF standards would also dramatically increase airport infrastructure and equipment costs with little benefit in terms of enhanced safety. The requirements would force airports to divert scarce AIP dollars away from critical safety, security and capacity projects in order to construct ARFF facilities and purchase new fire fighting vehicles. These additional infrastructure and equipment costs could easily wipe out the AIP funding increases called for in H.R. 2881.

The Columbus Regional Airport Authority said that the IAFF proposal would require for Port Columbus International an estimated initial capital outlay of $6.7 million for a second ARFF station and additional equipment. The IAFF proposal also would require construction of a new ARFF station at Rickenbacker International, a full-service cargo airport, at an estimated cost of $3.3 million. Some airports have even indicated that they would be required to move recently-built ARFF facilities to comply with the new requirements.

As many of you may know, there is a process already underway by an FAA-led Aviation Rulemaking Advisory Committee to review and update ARFF standards. We agree with calls to conclude that rulemaking process. However, it is our view that the language included in the House bill last year needs modification in order to avoid tilting the playing field in one direction or the other.

Specifically, H.R. 2881 requires the final rule to "address" the mission of ARFF personnel including passenger egress, proper staffing levels, response times, the handling of hazardous materials incidents, proper vehicle deployment and equipment modernization. More importantly, it requires the FAA to issue a final rule "to the extent practical" that is consistent with NFPA standards. Airport executives are concerned that legislatively requiring the FAA to come up with a proposed rule that "to the extent practical" is consistent with NFPA standards gives the IAFF an unfair advantage in what should be a neutral rulemaking process.

The IAFF proposal also states that if the final rule is not consistent with NFPA standards, the FAA must explain to the White House Office of Management and Budget (OMB) why the rule is not consistent with those standards. We are concerned that forcing the FAA to explain its actions to OMB would undercut the ARFF rulemaking process even more.

Again, airports are only seeking a fair and unbiased rulemaking process that doesn't unnecessarily tilt the playing field toward one particular aviation stakeholder. As debate on the FAA reauthorization bill continues, we hope the members of this committee will work with us to achieve that goal.

Expand VALE Program: As a result of a provision contained in Vision 100, the FAA established the Voluntary Airport Low Emissions (VALE) program to assist airports with implementing air quality emission reduction programs. Only those airports that are in nonattainment and maintenance areas for certain pollutants are eligible to participate in this program. Given the importance of air quality to communities such as Aspen, we believe that this program should be opened up to all airports, regardless of their air quality designation. As a recent Governmental Accountability Office report noted, airports are just beginning to take advantage of this program, and opening it to more airports would enhance its success and reduce emissions.

Phase Out Stage Two Aircraft: H.R. 2881 included a welcome provision calling for the phase out of Stage 2 aircraft with a maximum weight of 75,000 pounds by December 31, 2012. My colleague, Robert Bogan, the Deputy Executive Director at the Morristown Municipal Airport, discussed the merits of phasing out small noisy aircraft when he testified before this committee in 2007. We encourage you to maintain the provision in next version of the FAA reauthorization bill.

Economic Recovery Bill

Mr. Chairman, I would like to thank you and your colleagues in the U.S. House of Representatives for including provisions in H.R. 1, the American Recovery and Reinvestment Act of 2009, that would help airports and stimulate the economy by creating jobs. As the House and the Senate versions are melded into a final package, here our recommendations for airport-related provisions.

Inject Additional AIP Funding in the Economy; Create Construction Jobs: Airports are pleased that the House-passed version of the economic stimulus package included $3 billion for airport construction projects. As the report accompanying the bill indicates, "these investments will not only provide important safety benefits but will improve capacity and efficiency at our nation's airports…."

As Congress finalizes the economic recovery package, we encourage you and your colleagues to include at least $3 billion for AIP. Chairman Oberstar's proposal to "Rebuild America by Investing in Transportation and Environmental Infrastructure" recommended $5 billion for AIP. Airports could commence work on literally hundreds of important safety, security and capacity projects. These projects are needed to meet the future aviation system for the country and would create and maintain tens of thousands of construction jobs.

Beyond the existing baseline of $3.5 billion for AIP, the FAA has indicated that $1.7 billion could be dedicated to "ready-to-go projects" – projects that can be bid and under contract within 180 days. The FAA has identified as much as $5 billion in additional funds that could be used for AIP projects during the next two years if airports had additional lead time for final design work and environmental approvals. An additional $3 to $5 billion for AIP could create more than 100,000 high-paying jobs and allow the FAA to proceed with high-priority projects including those related to runways, taxiways and aprons.

Despite this committee's support for increasing AIP funding by $100 million per year, Congress has appropriated slightly more than $3.5 billion for AIP per year during the past three fiscal years and is expected to do so again for FY09. This means that airports will receive almost $1 billion less in AIP funds from FY06 through FY09 than this committee approved. Providing airports with additional AIP funding in the economic stimulus package would offset that shortfall and help stimulate the economy by creating jobs.

Eliminate Local Match Requirement: In addition to increasing the amount of AIP funds in the economic recovery package to $5 billion, we urge you to eliminate the local matching requirement for those funds. As I mentioned previously, local communities have been hit hard by the current financial crisis, and numerous airports around the country would have difficulty coming up with local revenue. In addition to eliminating the local match requirement airports are also calling for additional flexibility so they can use AIP funds contained in the stimulus for other purposes such as debt service and shovel-ready terminal projects.

Eliminate AMT Penalty on Airport Private Activity Bonds: Federal tax law unfairly classifies the vast majority of bonds that airports use as private activity – even though they are used to finance runways, taxiways and other facilities that benefit the public. Since private activity bonds are subject to the Alternative Minimum Tax (AMT), airport bond issuers are charged higher rates on their borrowing.

Due to the current financial crisis, virtually no long-term airport AMT bonds have been sold in the past few months. Consequently, airports are being forced to either postpone key infrastructure projects or find other sources of short-term financing. AAAE, ACI-NA and airports around the country have been urging Congress to eliminate the AMT so airports can move forward with key infrastructure projects, create jobs and stimulate the economy.

The House and Senate versions of the economic stimulus package eliminate the AMT penalty on new airport private activity bonds issued in the 2009 and 2010. We strongly support that proposal and thank Congress and particularly the House Ways and Means Committee for taking action to help airports secure long-term financing. We encourage lawmakers to expand the provision by allowing airports to current refund their existing debt and by making those changes permanent so airports can finance critical infrastructure projects in the long term.

Increase Funding for Explosive Detection Systems: Expediting the installation of in-line Explosive Detection Systems (EDS) in airports remains a top priority for AAAE. Many airports have submitted plans to the Transportation Security Administration that can be acted on in the short-term, which will produce security enhancements and quickly create jobs. We appreciate the committee's long-time support of this airport priority and encourage Congress to include at least $1.2 billion in the economic stimulus package for checked baggage upgrades and checkpoint technologies. This is the same funding level included in the Senate version of the bill. We also recommend segmenting that funding to ensure that sufficient resources are dedicated to EDS purchase and installation.

I realize that these two issues are – AMT relief and EDS funding – are not under the jurisdiction of this committee. However, bond financing is critical to building airport infrastructure projects around the country. On behalf of the airport community, I would like to thank Ranking Member Mica, Rep. James Duncan and Rep. John Boozman for urging the House Ways and Means Committee to eliminate the AMT penalty on airport private activity bonds as a part of the economic stimulus package.

Conclusion

Chairman Costello, Ranking Member Petri and members of the House Transportation and Infrastructure Subcommittee on Aviation, thank you again for inviting me to appear before your committee to discuss the FAA reauthorization bill. As I mentioned at the beginning of my statement, airports are grateful to this committee for including a number of key airport provisions in the House-passed FAA reauthorization bill in the last Congress. We look forward to continuing to work with as you reconsider the FAA reauthorization bill again this year.